

TOWNSHIP OF MOSCOW
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|---------------------------------|---|----------------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name MOSCOW TOWNSHIP | County HILLSDALE |
| Fiscal Year End 03/31/06 | Opinion Date 10/08/06 | Date Audit Report Submitted to State 11/09/06 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

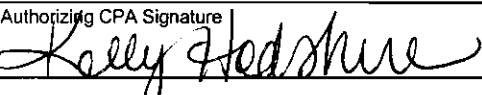
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|-------------------------------------|--|--------------------|-------------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input checked="" type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, P.C. | | Telephone Number 517-849-2410 | | |
| Street Address 479 E. CHICAGO ROAD | | City JONESVILLE | State MI | Zip 49250 |
| Authorizing CPA Signature  | | Printed Name KELLY S. HODSHIRE | | License Number 1101020992 |

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Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Moscow
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Moscow as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions,

The accompanying financial statements do not present the capital assets of the Township. Accounting principles generally accepted in the United States of America require the presentation of capital assets. The amounts that would be reported as capital assets in the Township's government-wide financial statements are not reasonably determinable at this time.

In our opinion the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Moscow as of March 31, 2006, or the changes in its financial position for the year then ended.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 16 through 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Moscow's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

As described in Note 1, the Township has implemented portions of a new financial reporting model, as required by the provisions of the GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments and the related statements as of April 1, 2004.

Bailey, Hadshire & Company, P.C.

October 8, 2006
Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MOSCOW

This section of Moscow Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements which follow this section.

Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2006:

- The assets of the Township exceeded its liabilities at March 31, 2006 by \$102,522 (net assets). The entire \$102,522 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$33,443.
- As of March 31, 2006, the Township's governmental funds reported combined ending fund balances of \$102,522, an increase of \$33,443. Of this amount \$84,300 is available for spending at the government's discretion (unreserved fund balance).

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows the net assets of the Township as of the end of the year. Since this is the first year for which the Township adopted the provisions of GASB Statement No. 34, comparative data is not required. In future years, such information will be presented for the current and preceding year:

TABLE 1 - NET ASSETS

| | |
|-----------------------|-------------------|
| Assets: | |
| Current Assets | <u>\$ 106,996</u> |
| Total Assets | <u>\$ 106,996</u> |
| Liabilities: | |
| Current Liabilities | \$ 4,474 |
| Long-term Liabilities | <u>0</u> |
| Total Liabilities | <u>\$ 4,474</u> |
| Net Assets: | |
| Restricted | \$ 0 |
| Unrestricted | <u>102,522</u> |
| Total Net Assets | <u>\$ 102,522</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MOSCOW

The following table shows the changes in the net assets during the year:

TABLE 2 - CHANGE IN NET ASSETS

| | |
|----------------------------------|-------------------|
| Program Revenue: | |
| Charges for services | \$ 23,531 |
| General Revenue: | |
| Property tax | 32,923 |
| State shared revenue | 97,593 |
| Unrestricted investment earnings | 2,803 |
| Other | <u>10,624</u> |
| Total Revenue | <u>\$ 167,474</u> |
| Expenses: | |
| General Government | \$ 84,587 |
| Public Safety | 41,865 |
| Public Works | 7,026 |
| Culture & Recreation | <u>553</u> |
| Total Expenses | <u>\$ 134,031</u> |
| INCREASE IN NET ASSETS | <u>\$ 33,443</u> |

The Township's net assets remain healthy.

Governmental Activities

Total revenues for the year were decreased slightly. Expenses decreased primarily because of no road projects being completed in the fiscal year. During the year, the Township Board continued to monitor the revenues and expenditures.

The Township's Funds

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund and the Park and Recreation Fund.

The General Fund pays for most of the Township's governmental services. The most significant are fire protection, cemetery maintenance, assessing services and landfill expenditures; these areas incurred expenses of \$75,000 in 2006.

General Fund Budgetary Highlights, Economic Factors, and next year's Budgets and Rates

Over the course of the year, the Township Board amended the budgets to take into account events during the year. The most significant was an increase in fire department repairs and maintenance of \$4,691.

The Moscow Township Board of Trustees has been very conservative when planning the budget due to cutbacks in the State Shared Revenue Program to townships. When the state forecasted that Moscow Township would receive; i.e. \$100,000 in revenue, \$90,000 was used for budgeting purposes. The

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MOSCOW

Township has used this practice for the last two years. This practice has worked quite well in that a few thousand dollars were received over the budget, affording the Township somewhat of a cushion to fall back on if needed.

Also, the Township was very conservative in its spending last year in order to build the general fund balance. That goal was accomplished by ending the fiscal year of March 31, 2006, with a general fund balance of approximately \$58,000. For 2006-2007, the Township was able to offer dust control, participate in the gravel patch program with the road commission, and purchase a new siren and a 1984 tanker for the fire department.

Moscow Township currently has two sources for potential housing developments in the next 10-15 years. Stansley Mineral Resources (80 acres) and Thompson-McCully Company (160 acres) have shared plans for lake development with housing opportunities after their gravel mining operations have ceased. While nothing has been cast in stone, the growth potential does exist. Other property, located on US 12 and Dennings Road, has several housing sites available for development.

As this growth develops, the need for a new fire department/community building comes into play. The Board will discuss community planning and development along with funding opportunities/grants for such a project.

The same practice of building the park fund balance (\$10,200) was implemented which allowed the completion of the brick sidewalk from the bridge to the Township Hall. The Township would like to also add a pavilion, new picnic tables and grills in the future for park projects to enhance the use of the park during summer months.

Overall, the Moscow Township Board of Trustees feels that Moscow Township is in good financial standing, at this time, and looks forward to the future as developments unfold.

Capital Assets

The Township's Statement of Net Assets does not include capital assets for the year ended March 31, 2006. The Township plans to have an appraisal of their capital assets done prior to the completion of the next required audit for the year ended March 31, 2008.

Contacting the Township's Management

This Financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF MOSCOW
STATEMENT OF NET ASSETS
MARCH 31, 2006

ASSETS

| | |
|--------------------|-------------------|
| Cash & investments | \$ 102,437 |
| Taxes receivable | <u>4,559</u> |
| Total assets | <u>\$ 106,996</u> |

LIABILITIES

| | |
|-------------------|-----------------|
| Accounts payable | \$ <u>4,474</u> |
| Total liabilities | <u>\$ 4,474</u> |

NET ASSETS

| | |
|----------------------------------|-------------------|
| Restricted | \$ 0 |
| Unrestricted | <u>102,522</u> |
| Total net assets | <u>\$ 102,522</u> |
| Total liabilities and net assets | <u>\$ 106,996</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | | Net (Expense) Revenue |
|----------------------|-------------------|--------------------------------|---|---|-----------------------------|
| | | Charges for <u>Services</u> | Operating Grants and <u>Contributions</u> | Capital Grants and <u>Contributions</u> | |
| General Government | \$ 84,587 | \$ 14,036 | \$ 0 | \$ 0 | \$ (70,551) |
| Public Safety | 41,865 | 8,161 | 0 | 0 | (33,704) |
| Public Works | 7,026 | 1,334 | 0 | 0 | (5,692) |
| Culture & Recreation | <u>553</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(553)</u> |
| Total | <u>\$ 134,031</u> | <u>\$ 23,531</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$(110,500)</u> |

General Revenues:

| | |
|---|-------------------|
| Property tax, levied for general purposes | \$ 32,923 |
| State shared revenue | 97,593 |
| Unrestricted investment earnings | 2,803 |
| Other | <u>10,624</u> |
| Total General Revenues | <u>\$ 143,943</u> |
| Change in Net Assets | \$ 33,443 |
| Net Assets - Beginning | <u>69,079</u> |
| Net Assets - Ending | <u>\$ 102,522</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

| | General Fund | Special Revenue Fund | Permanent Fund Cemetery | Total Governmental Funds |
|--------------------------------------|------------------|----------------------------|-------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash & investments | \$ 91,208 | \$ 10,229 | \$ 1,000 | \$ 102,437 |
| Taxes receivable | 4,473 | 0 | 0 | 4,473 |
| Due from agency fund | <u>86</u> | <u>0</u> | <u>0</u> | <u>86</u> |
| Total assets | <u>\$ 95,767</u> | <u>\$ 10,229</u> | <u>\$ 1,000</u> | <u>\$ 106,996</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 4,474 | \$ 0 | \$ 0 | \$ 4,474 |
| Total liabilities | <u>\$ 4,474</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 4,474</u> |
| Fund Equity: | | | | |
| Fund Balance | | | | |
| Designated | \$ 17,222 | \$ 0 | \$ 1,000 | \$ 18,222 |
| Unreserved/Undesignated | <u>74,071</u> | <u>10,229</u> | <u>0</u> | <u>84,300</u> |
| Total fund equity | <u>\$ 91,293</u> | <u>\$ 10,229</u> | <u>\$ 1,000</u> | <u>\$ 102,522</u> |
| Total liabilities and fund equity | <u>\$ 95,767</u> | <u>\$ 10,229</u> | <u>\$ 1,000</u> | <u>\$ 106,996</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MARCH 31, 2006

| | General Fund | Special Revenue Fund | Permanent Fund Cemetery | Total Governmental Funds |
|--|-------------------|----------------------------|-------------------------------|--------------------------------|
| REVENUE | | | | |
| Property taxes | \$ 32,923 | \$ 0 | \$ 0 | \$ 32,923 |
| Licenses and permits | 2,577 | 0 | 0 | 2,577 |
| State shared revenue | 97,593 | 0 | 0 | 97,593 |
| Charges for services | 11,895 | 0 | 0 | 11,895 |
| Interest | 2,632 | 163 | 8 | 2,803 |
| Reimbursements and insurance recovered | 7,283 | 0 | 0 | 7,283 |
| Administration fee income | 9,059 | 0 | 0 | 9,059 |
| Miscellaneous | <u>3,341</u> | <u>0</u> | <u>0</u> | <u>3,341</u> |
| Total revenue | <u>\$ 167,303</u> | <u>\$ 163</u> | <u>\$ 8</u> | <u>\$ 167,474</u> |
| EXPENDITURES | | | | |
| General government | \$ 84,587 | \$ 0 | \$ 0 | \$ 84,587 |
| Public safety | 41,865 | 0 | 0 | 41,865 |
| Public works | 7,026 | 0 | 0 | 7,026 |
| Recreation and culture | <u>0</u> | <u>553</u> | <u>0</u> | <u>553</u> |
| Total expenditures | <u>\$ 133,478</u> | <u>\$ 553</u> | <u>\$ 0</u> | <u>\$ 134,031</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>\$ 33,825</u> | <u>\$ (390)</u> | <u>\$ 8</u> | <u>\$ 33,443</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 8 | \$ 2,000 | \$ 0 | \$ 2,008 |
| Transfers out | <u>(2,000)</u> | <u>0</u> | <u>(8)</u> | <u>(2,008)</u> |
| Total other financing sources (uses) | <u>\$ (1,992)</u> | <u>\$ 2,000</u> | <u>\$ (8)</u> | <u>\$ 0</u> |
| NET CHANGE IN FUND BALANCES | \$ 31,833 | \$ 1,610 | \$ 0 | \$ 33,443 |
| FUND BALANCES - BEGINNING | <u>59,460</u> | <u>8,619</u> | <u>1,000</u> | <u>69,079</u> |
| FUND BALANCES - ENDING | <u>\$ 91,293</u> | <u>\$ 10,229</u> | <u>\$ 1,000</u> | <u>\$ 102,522</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2006

ASSETS

| | |
|------|-------------------|
| Cash | \$ 86 |
| | <u> </u> |

LIABILITIES

| | |
|------------------------------|-------------------|
| Due to Township General Fund | \$ 86 |
| | <u> </u> |

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Moscow is located in Hillsdale County, Michigan, and comprises a population of approximately 1,353 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Moscow conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial Statements prepared using full accrual accounting for all of the Township's activities, including fixed assets (buildings, equipment, vehicles, etc.)

- A change in the fund financial statements to focus on major funds.

The Township has elected to implement a portion of the provisions of the Statement in the current year. The Township did not present the governmental activities, capital assets as of March 31, 2006. The other changes required by Statement No. 34 were implemented in the current year and are reflected in the accompanying financial statements and notes to the financial statements.

Because of the effects of the matter discussed in the preceding paragraphs, the Township's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Moscow as of March 31, 2006, or the changes in its financial position for the year then ended.

The following is a summary of significant accounting policies used by the Township of Moscow:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Park and Recreation Fund - established as a special revenue fund to account for the revenue and expenditures associated with operation of parks.

Cemetery Permanent Fund - established as a permanent fund to account for the revenue and expenditures associated with a certificate of deposit donated to the Township for upkeep of the cemetery.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and investments are reported at cost.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Board holds workshops and proposes an operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2006, the Township's deposits are in accordance with statutory authority.

Deposits

Following are the components of the Township's bank deposits at March 31, 2006:

| | |
|-------------------------|-------------------|
| Checking Accounts | \$ 68,783 |
| Certificates of Deposit | <u>32,654</u> |
| Total | <u>\$ 101,437</u> |

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. At March 31, 2006, the carrying amount of the Township's deposits was \$101,437 and the bank balance was \$104,295. Of the bank balance, all \$104,295 was covered by federal depository insurance. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is not necessary to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

There were no investments held during the year.

NOTE 4 - RECEIVABLES

Receivables at March 31, 2006, consist of property taxes and are considered collectible in full because the real property tax delinquents are reimbursed to the Township by the Hillsdale County Treasurer.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at March 31, 2006, is as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|--------------|-----------------------------|---------------------|--------------------------|
| General Fund | \$ 86 | Tax Collection Fund | \$ 86 |

Interfund transfers during the year consisted of the following:

| | |
|--|-----------|
| Transfers from Tax Collection Fund to General Fund | \$ 38,286 |
| Transfer from General Fund to Park and Recreation Fund | 2,000 |

The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund.

NOTE 6 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2005 was .8586 mills for general operations on a total state taxable valuation of approximately \$38,353,605. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

NOTE 7 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 8 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfiled.

NOTE 9 - COMMITMENTS

At its March, 2006, meeting, the Township Board approved the purchase of a siren from West Shore Services for \$15,600, payable with \$3,120 down and \$2,588 annually for four years.

At its April, 2006, meeting, the Township Board approved sidewalk work to be done by Double A Landscaping for a cost of \$10,687.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF MOSCOW
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | Original <u>Budget</u> | Amended <u>Budget</u> | <u>Actual</u> | Variance With Amended <u>Budget</u> |
|---|---------------------------|--------------------------|-------------------|--|
| Beginning of year fund balance | \$ 59,460 | \$ 59,460 | \$ 59,460 | \$ 0 |
| Resources (inflows) | | | | |
| Property taxes | 36,500 | 36,500 | 32,923 | (3,577) |
| Licenses and permits | 1,650 | 1,650 | 2,577 | 927 |
| State shared revenue | 90,600 | 90,600 | 97,593 | 6,993 |
| Charges for services | 10,900 | 10,900 | 11,895 | 995 |
| Interest income | 600 | 600 | 2,632 | 2,032 |
| Administration fee income | 0 | 0 | 9,059 | 9,059 |
| Reimbursements and insurance recoveries | 2,700 | 2,700 | 7,283 | 4,583 |
| Transfer from other funds | 0 | 0 | 8 | 8 |
| Miscellaneous | <u>4,210</u> | <u>4,210</u> | <u>3,341</u> | <u>(869)</u> |
| Amounts available for appropriation | <u>\$ 206,620</u> | <u>\$ 206,620</u> | <u>\$ 226,771</u> | <u>\$ 20,151</u> |
| Charges to appropriations (outflows) | | | | |
| General Government | | | | |
| Township Board | | | | |
| Salaries | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 0 |
| Dues and subscriptions | 1,000 | 1,000 | 875 | (125) |
| Community promotions and services | 1,600 | 1,700 | 1,200 | (500) |
| Training and education | 400 | 442 | 442 | 0 |
| Office supplies | 1,500 | 2,226 | 2,188 | (38) |
| Professional Fees | 2,500 | 1,432 | 452 | (980) |
| Payroll tax | 3,500 | 3,500 | 2,994 | (506) |
| Printing and publishing | 150 | 350 | 346 | (4) |
| Insurance and bonds | 12,000 | 12,000 | 11,455 | (545) |
| Supervisor | | | | |
| Salary | 7,000 | 7,000 | 7,000 | 0 |
| Deputy | 100 | 100 | 48 | (52) |
| Supplies, fees and training | 550 | 550 | 0 | (550) |
| Clerk | | | | |
| Salary | 10,000 | 10,000 | 10,000 | 0 |
| Deputy | 400 | 400 | 24 | (376) |
| Supplies, fees and training | 650 | 650 | 0 | (650) |
| Board of Review | 550 | 550 | 100 | (450) |
| Treasurer | | | | |
| Salary | 10,000 | 10,000 | 10,000 | 0 |
| Deputy | 500 | 552 | 552 | 0 |
| Printing | 1,600 | 1,600 | 641 | (959) |
| Office supplies | 1,500 | 1,448 | 438 | (1,010) |
| Training and education | 1,200 | 1,200 | 442 | (758) |

TOWNSHIP OF MOSCOW
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006
(continued)

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|---|--------------------|-------------------|-------------------|---------------------------------------|
| Treasurer - continued | | | | |
| Dues and fees | \$ 750 | \$ 750 | \$ 0 | \$ (750) |
| Assessor | | | | |
| Contract services | 11,000 | 11,100 | 11,100 | 0 |
| Office supplies, printing, and training | 2,100 | 1,805 | 1,355 | (450) |
| Dues and fees | 750 | 945 | 945 | 0 |
| Elections | 1,900 | 1,900 | 0 | (1,900) |
| Building and grounds | 11,050 | 6,845 | 3,577 | (3,268) |
| Cemetery | | | | |
| Sexton salary | 2,000 | 2,150 | 2,150 | 0 |
| Maintenance | 14,550 | 14,400 | 13,263 | (1,137) |
| Public Safety | | | | |
| Fire department | | | | |
| Salaries | 12,150 | 12,522 | 12,272 | (250) |
| Supplies | 2,950 | 3,876 | 3,517 | (359) |
| Insurance and bonds | 10,000 | 9,568 | 9,272 | (296) |
| Utilities | 5,550 | 5,550 | 4,221 | (1,329) |
| Community services | 100 | 100 | 100 | 0 |
| Repair and maintenance | 7,000 | 11,691 | 11,293 | (398) |
| Training and education | 2,000 | 1,556 | 1,140 | (416) |
| Dues and fees | 100 | 100 | 50 | (50) |
| Building improvements | 1,000 | 92 | 0 | (92) |
| Public Works | | | | |
| Roads | 0 | 0 | 0 | 0 |
| Street Lights | 1,500 | 1,533 | 1,533 | 0 |
| Landfill | 6,350 | 6,317 | 5,493 | (824) |
| Capital Outlay | 0 | 0 | 0 | 0 |
| Transfers to other funds | <u>2,000</u> | <u>2,000</u> | <u>2,000</u> | <u>0</u> |
| Total charges to appropriations | <u>\$ 154,500</u> | <u>\$ 154,500</u> | <u>\$ 135,478</u> | <u>\$ (19,022)</u> |
| End of year fund balance | <u>\$ 52,120</u> | <u>\$ 52,120</u> | <u>\$ 91,293</u> | <u>\$ (39,173)</u> |

TOWNSHIP OF MOSCOW
BUDGETARY COMPARISON SCHEDULE
PARK AND RECREATION FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|--------------------------------------|--------------------|-------------------|------------------|---------------------------------------|
| Beginning of year fund balance | \$ 8,619 | \$ 8,619 | \$ 8,619 | \$ 0 |
| Resources (inflows) | | | | |
| Interest income | 50 | 50 | 163 | 113 |
| Transfers from other funds | <u>2,000</u> | <u>2,000</u> | <u>2,000</u> | <u>0</u> |
| Amounts available for appropriation | <u>\$ 10,669</u> | <u>\$ 10,669</u> | <u>\$ 10,782</u> | <u>\$ 113</u> |
| Charges to appropriations (outflows) | | | | |
| Recreation and culture | | | | |
| Capital outlay | \$ 9,319 | \$ 9,319 | \$ 0 | \$ (9,319) |
| Repair and maintenance | 1,300 | 1,300 | 553 | (747) |
| Miscellaneous expense | <u>50</u> | <u>50</u> | <u>0</u> | <u>(50)</u> |
| Total charges to appropriations | <u>\$ 10,669</u> | <u>\$ 10,669</u> | <u>\$ 533</u> | <u>\$ (10,116)</u> |
| End of year fund balance | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 10,229</u> | <u>\$ 10,229</u> |

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF MOSCOW
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2006

| | Balance <u>April 1, 2005</u> | Additions | Deductions | Balance <u>March 31, 2006</u> |
|--------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| ASSETS | | | | |
| Cash | \$ 44 | \$ 915,882 | \$ 915,840 | \$ 86 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| LIABILITIES | | | | |
| Due to Other Funds | \$ 44 | \$ 38,328 | \$ 38,286 | \$ 86 |
| Due to County | 0 | 420,684 | 420,684 | 0 |
| Due to Schools | <u>0</u> | <u>456,870</u> | <u>456,870</u> | <u>0</u> |
| | <u>\$ 44</u> | <u>\$ 915,882</u> | <u>\$ 915,840</u> | <u>\$ 86</u> |

The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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October 8, 2006

To the Supervisor and
Members of the Township Board
Township of Moscow

In connection with our audit of the Township of Moscow for the year ended March 31, 2006, we would like to make the following comments and recommendations:

1. The Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires governmental entities to adopt a capitalization policy and the presentation of general fixed assets on the Statement of Net Assets of the Township. This policy should set a capitalization threshold. If a capital expenditure is equal to or greater than this threshold, the asset purchased should be capitalized and depreciated. Capital expenditures that fall below the threshold should be reported as operating expenditures in the year of purchase. The capitalization policy must also determine a method of estimating historical cost or fair value. A sample policy is available from the Michigan Township Association. The Township also needs to have an appraisal done of its fixed assets prior to the next required audit which will be for the year ended March 31, 2008.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,


Bailey, Hodshire & Company, P.C.